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784822

STATE TAX REFORM STUDY

COMMITTEE

1976 REPORT



MARYLAND GENERAL ASSEMBLY

784822

STATE TAX REFORM STUDY

COMMITTEE

1976 REPORT



MARYLAND GENERAL ASSEMBLY



HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21404

BENJAMIN L. CARDIN
42ND LEGISLATIVE DISTRICT
BALTIMORE CITY
CHAIRMAN
COMMITTEE ON WAYS AND MEANS

January 6, 1977

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BALTIMORE, MARYLAND 21209

The Honorable Steny H. Hoyer, President of the Senate
The Honorable John Hanson Briscoe, Speaker of the House
of Delegates
Members of the General Assembly

The State Tax Reform Study Committee, originally appointed by the Legislative Council of Maryland in 1975, submits its second report to the General Assembly of Maryland. The original report was submitted February of 1976 and was titled "1975 Report of the State Tax Reform Study Committee." It included a technical supplement.

That report recommended that the 1976 General Assembly consider ten specific pieces of legislation. Of the ten suggestions, six were passed by the General Assembly and enacted into law.

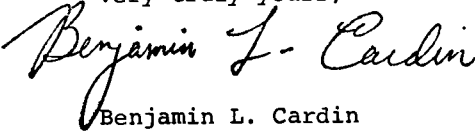
The Committee this year is recommending for consideration by the General Assembly some of those bills suggested last year and not passed by the legislature. In addition, the Committee is recommending some new proposals.

On behalf of the Committee, I wish to acknowledge the outstanding research and analysis assistance provided by the staff of the Department of Fiscal Services, especially that provided by Frank J. McGovern, Jr. and Linda M. Krausz. Once again, the work of the legislative staff was greatly assisted by the cooperation of the Executive Branch in the gathering of, analysis of, and presentation of much basic needed information. Particularly, Dr. H. Louis Stettler, III, of the Department of Budget and Fiscal Planning, Mr. George H. Spriggs, Jr., of the Income Tax Division of the Comptroller's office and Mr. Henry A. Heinmuller, Jr. of the Sales Tax Division of the Comptroller's office were most helpful to the Committee.

The Honorable Steny H. Hoyer, President of the Senate
The Honorable John Hanson Briscoe, Speaker of the House
of Delegates
Members of the General Assembly

The Committee urges the members of the General Assembly to give the recommendations contained in this report their careful consideration and to view them as steps towards continuing to improve tax equity in Maryland.

Very truly yours,

A handwritten signature in cursive script that reads "Benjamin L. Cardin". The signature is written in dark ink and is positioned above the printed name.

BLC/lg

Benjamin L. Cardin

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1976

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1976 REPORT OF
THE STATE TAX REFORM STUDY COMMITTEE

Origin of Committee

The State Tax Reform Committee was created initially in June of 1975 by the Policy Committee. Sixteen members were appointed, one-half from the House and one-half from the Senate.

In its initial year the mandate given the Committee was to examine criticisms that had been leveled against the Maryland tax system with respect to its equity on the individual taxpayer.

The Committee's conclusions for its 1975 activities are found in the report dated February, 1976 and distributed to the General Assembly. Ten bills were submitted to the 1976 Session as House Bills 1745 through 1750 and six of the bills were adopted as Chapters 810 through 815 of the Acts of 1976. The subjects approved were the following:

- Subchapter S corporations; treatment of distributions of income
- Elimination of exemption for corporate nonbusiness income and dividends
- Penalties for failing to file State returns and pay tax
- Refunds of income tax upon federal adjustments
- Oil depletion allowance; subjected to tax
- Penalties for filing fraudulent State returns

The Policy Committee authorized the continuation of the State Tax Reform Committee in November, 1975, to include the same membership for the expressed purpose of rectifying, if possible, inequitable taxation of individual taxpayers in Maryland.

While addressing the question of how to make the tax structure more equitable among the various classes of individual and among business taxpayers, the Committee also reviewed the possible needs for additional revenues required by nearly a \$3.7 billion State governmental operation that is simultaneously faced with inflationary cost pressures and the demand for more services. In addition the Committee reviewed the ever increasing burden which property taxation places on individual homeowners.

The Committee's responsibility was to make recommendations on needed changes in the tax structure and to report them directly to the 1977 General Assembly.

Summary of Committee Activities

The Committee developed a working agenda for the 1976 Interim which consisted of the following activities:

- In-depth examination of Income and Sales Taxation
- Review of Federal Income Tax changes
- State and Local Revenue Requirements
- Extension of property tax relief programs
- Review of Business and Death Taxes

The details on each of the activities may be found in the Technical Supplement to the Summary Report of the Committee.

MAJOR CONCLUSIONS

Personal Income Tax

The primary source of the State's general fund revenues is the personal income tax. This single source of revenue accounts for approximately 49 percent of the total general fund revenues.

Statistical comparison of Maryland with other states indicates that it places a greater reliance on personal income taxes for raising revenues than many other states. The local subdivisions within the State receive "piggyback" income tax revenues. While they are not the largest source of revenue for the localities, they constitute the second major contributor, approximating 40 percent of the property tax collections.

A review of the current income tax structure was necessary in order to address questions of equity and progressivity changes to the system without endangering State operations.

The Committee reviewed several proposal alternative changes to the current income tax system. One of these was in the area of the rate and bracket structure. The effect of further graduation to the rate and bracket structure would lessen the tax burden for persons with low to medium incomes and increase the tax burden for individuals with higher incomes. The current rate and bracket structure penalizes the lower and moderate income levels when the tax burden is compared as a percentage of income. After reviewing several proposals, no action was taken to revise or replace the current rate and bracket structure. However, the Committee went on record as favoring a more progressive rate and bracket structure, with establishment of a separate rate structure for heads of households, and with the intention that the local revenue gains resulting from rate and bracket changes should be utilized to reduce local property tax rates.

To improve equity the Committee recommended alteration of the standard deduction allowance in the manner proposed by the Committee to the 1976 Session. Currently the standard deduction allowance is 10 percent of adjusted gross income up to \$500 on income of each taxpayer. The reason the Committee felt a change was necessary was because the deduction had remained the same for a number of years and did not compare with the increasing Federal allowance. In order to improve equity and progressivity, the Committee proposed a standard deduction allowance of 10 percent of adjusted gross income up to a maximum of \$1,500, on the income of each taxpayer with a \$500 minimum. This change would achieve comparability with the Federal allowance.

The Committee felt, as it had in 1975, that it was necessary to change the filing status of single and two-income households in order to achieve equal treatment of both. The current system allows married persons who file a joint return for federal purposes, to file a married-separate return at the State level. This amounts to a \$60 State and \$30 local tax savings that the single taxpayer does not enjoy. To alleviate this disparity the Committee proposed equal treatment of both the single and married taxpayers by the elimination of the married combined-separate filing status.

The Committee also reviewed an inequitable situation which had arisen with student income. Currently a student with earned income of under \$2,350 does not have to file a tax return and therefore incurs no tax liability. However, if the same student has any unearned income, even a very minimal amount, then the student must file a return and incur a tax liability on all income remaining after deductions. The Committee believes that students or persons considered as minor dependents should be allowed to file returns as single taxpayers, irrespective of the type of income.

Federal Tax Reform

The Tax Reform Act of 1976 contained slightly less than 200 revisions to the Federal income tax code. A number of these changes required revisions to the State income tax laws.

One of the revisions necessary was the treatment of child care expenses. At the federal level child care expenses are to be treated as a tax credit rather than as an itemized deduction. The Committee examined several methods of approaching this change. One method would be to treat the child care expense as an itemized deduction. Another was to follow federal practice while yet another was to treat child care expenses as an adjustment to income.

The Committee approved legislation which will treat the child care expense as an itemized deduction using the federal allowances as they were previous to the federal reform. In addition, it was felt that rather than propose emergency legislation the child care deduction expense would be allowed for two years on the 1977 tax returns. The main reason for this approach was that the Committee considered that many taxpayers would file early returns and rather than amend the return for a small amount of savings, they would forego the deduction allowance for 1976 altogether, whereas by allowing the deduction allowance for two years, all taxpayers would benefit.

Minimum tax on tax preference income items was another area requiring State reform. In the Tax Reform Act, the minimum tax rate was changed from 10 to 15 percent, the exemption from the tax was reduced and three new items of income were added to the list of tax preference items. It also removed the carryover of excess income tax paid in prior years as an offset for 1976. The Committee approved legislation to make the necessary changes in Maryland law to reflect federal practice.

The treatment of estate and gift taxes will require Committee attention, however at this time the full impact of the changes is not known. Some of the major changes that were made at the Federal level were to eliminate the \$30,000 lifetime gift tax exemption and substitute it with a \$60,000 estate tax exemption and treat it as a unified gift and estate tax credit. It also changed the treatment of gifts in contemplation of death and marital deductions for gifts made to the spouse. Another feature was the change in the gift tax rate structure.

The Tax Reform Act gave the State the authority to withhold State and local income taxes from the active duty pay of members of the Armed Forces and military reserves who claim Maryland as their home of record. The Committee approved legislation to implement this provision.

Sales Tax

The second major sources of State general fund revenues is the sales tax. It accounts for about 25 percent of the total general fund revenues.

The sales tax generally is considered a regressive tax. However, Maryland's current exemption for food and medicines and medical supplies makes the State's sales tax less regressive than this tax is in other states.

The combination of the narrow tax base and dependence on the income tax means that the sales tax in Maryland is not as significant a revenue source as it is in other states.

The Committee reviewed various aspects of extending the sales tax base to include carryout foods as well as certain types of services. It also explored the possibility of providing an income tax credit or deduction allowance for low income persons who are more heavily affected by the tax.

Currently, the sales tax is levied at a rate of 4 cents on the dollar and is applied to all retail sales of tangible personal property and certain selective services. The Committee reached a decision to propose legislation that would treat prepared meals for consumption equally. Currently, sales of prepared meals for consumption off the premises are exempt from the tax while sales of meals for consumption on the premises are taxed. The Committee felt that this treatment was not equitable and has taken action to expand the sales tax base to include meals for consumption off the premises.

The Committee reviewed the possible extension of sales tax on various types of consumer and business services and certain professional services. The Committee took no action of extending the sales tax to services currently exempted.

An income tax credit or deduction allowance for low income persons if a sales tax was imposed on food was examined by the Committee. The Committee believes if the sales tax was ever imposed on food, that there should be a credit for low income persons to offset the very regressive nature of such action.

State and Local Revenue Requirements

The Committee received a report from the Department of Fiscal Services, outlining the State's fiscal posture for FY 1978. The report, submitted in September, indicated a deficit of \$76 million attributable to a decline in the annual rate of increase in the income and particularly the sales tax revenues and to the balancing of the fiscal year 1977 budget by non-recurring revenue sources in the amount of \$74 million. The Committee notes in presentation to the Senate and House of Delegates in December, that the Department revised the estimate of deficit upward to \$120 million, reflecting the revenue figures submitted by the Board of Revenue Estimates.

The local governments also are facing fiscal problems. However, the growth in the assessable base together with increases in State financial aid have enabled almost all counties to meet spending requirements without increasing property tax rates. The Committee notes that in 18 counties the property tax rate for the 1976-1977 fiscal year is less than the rate in the 1972-1973 fiscal year, in one instance as much as \$.75 per hundred dollars of assessed valuation. Four counties

show an increased rate during the same period, the highest being \$.23 7/10, and one county's rate is the same. The rate in Baltimore City has increased \$.02 over the 1972-1973 rate. The projected increases in the assessable base for the 1977-1978 fiscal year should enable most local governments to handle an incremental growth without a property tax rate increase assuming that local officials continue to exercise prudent fiscal judgments.

Property Tax Relief Programs

The Committee recognizes that the burden of property taxes continues to be a major problem for many homeowners. The continuing increases in home values have resulted in ever increasing assessments.

The Circuit Breaker Program is providing meaningful relief for many homeowners over 60. The Committee is aware of the action recommended by the House Committee on Ways and Means to modify the program, particularly the increased allowance for elderly homeowners with very limited income, and believes the recommendations will improve the program. The Committee briefly reviewed proposals for extending the Circuit Breaker Program to all homeowners and to renters and believes that property tax relief in the nature of an expanded Circuit Breaker Program should continue to be a priority program for the legislature.

The Committee is recommending corrective and clarifying legislation with respect to certain existing tax credits.

Business Taxes

The Committee reviewed various business taxes and considered a single business tax (value added tax) versus the multiple system of taxes as is currently present in Maryland. Although, this method of taxing business is prevalent in Michigan, the Committee recommended further study as to its applicability to businesses in Maryland.

The Committee received a report from the Income Tax Division concerning whether or not the State would benefit from becoming a full member of the Multi-State Tax Compact rather than remaining an associate member. The report indicated that while getting the advantage of the "joint audit program" the State would lose a significant amount of corporate income tax. The Committee felt that the loss of dollars outweighed the benefit, thereby deciding it in the best interest of the State not to become a full member.

The Committee considered graduating the corporate income tax structure rather than continuing the current flat rate. The Committee was to receive a report from the Chamber of Commerce outlining the affects of business taxes on businesses in Maryland. The report was still in process at the end of the Interim and the Chairman indicated that before deciding on the graduation proposal the full Committee on Ways and Means should hear the report.

Death Taxes

The Committee reviewed death taxes and felt that further review was needed before recommending alternatives to the present structure. However, the Committee received testimony indicating the need for mandatory joint account reporting by

banking institutions to the Register of Wills so that the proper amount of inheritance tax could be collected efficiently and effectively. Currently, the Registers of Wills are not being provided with accurate data and unless the taxpayer reports this information, the taxes are avoided. The Committee recommended legislation that would require banking institutions to report all joint accounts exceeding \$1,000 to the Registers of Wills.

Summary of Recommendations

The Committee has approved for the 1977 Session nine bills and one joint resolution. The proposals advanced by the Committee have been designed to raise sufficient revenues to alleviate some of the inequities in the Maryland tax system without any significant impact on revenues.

The tax changes proposed here will:

- make the standard deduction more generous thereby being more uniform with the federal practice,
- alter filing status to give single and two-income households equal treatment,
- alter filing status to treat minor dependents as single taxpayers,
- provide child care deductions using the old Federal allowances,
- make the State income tax structure uniform with the Federal income tax system in the areas of minimum tax on tax preference items and withholding requirements for military personnel,
- alter treatment of carryout foods thus making the sales tax treatment of prepared meals more equitable,
- support the Advisory Commission on Intergovernmental Relations with respect to income and sales tax treatment of military personnel, and
- provide for more accountability of joint accounts requiring inheritance tax collections.

TAX REFORM STUDY COMMITTEE
SUMMARY OF TAX REFORM EQUITY ISSUES

Item	Current System	Legislative Proposals	Net State Fiscal Year 1978 Revenue Effects	Net Local Fiscal Year 1978 Revenue Effects
<u>Measures designed to increase the progressivity & equity of the personal income tax.</u>				
Make the standard deductions more generous	10% up to \$500 of income per person reporting on each return	10% up to \$1,500 with a \$500 minimum per person reporting on each return	-\$ 18,200,000	-\$ 8,550,000
Alter filing status to give single and two-income households equal treatment	Taxpayer files as either single, married, joint, married combined separate, married separate	To eliminate married combined separate filing status	+\$ 24,000,000	+\$11,280,000
Dependent unearned income	Income tax due if any unearned income by minor dependent	Treat as single taxpayer	-\$ 3,844,000	-\$ 1,807,000
<u>Federal Tax Reform Measures</u>				
Alter child care expense deduction	Treated as an itemized deduction	Treat as itemized deduction in 1977 and subsequent years	+\$ 3,000,000*	+\$ 1,410,000*
Minimum tax on tax preference items	-----	-----	+\$ 175,000	+\$ 82,000
Withholding state and local income tax from members of Armed Forces	Exempted	Require withholding	+\$ 250,000	+\$ 118,000

* This amount will be realized in FY 1978 but will be lost in FY 1979 due to the two-year deduction allowance on 1977 tax returns.

Item	Current System	Legislative Proposals	Net State Fiscal Year 1978 Revenue Effects	Net Local Fiscal Year 1978 Revenue Effects
<u>Measures designed to restore equity in the tax treatment of certain retail sales.</u>				
Alter treatment of carryout foods	Exempts all carryout food sales	Remove exemption for carryout foods	+\$ 3,700,000	-----
<u>Measures designed to increase progressivity and equity of Maryland death taxes.</u>				
Enforce collection of inheritance tax on joint bank accounts	Minimal collections	Maximize collections through cooperative enforcement	+\$ 1,500,000	-----
Net Total Fiscal Effects			+\$ 10,581,000	+\$ 2,533,000

RECOMMENDED LEGISLATION

Income Tax Legislation

- Amount of Standard Deduction - House Bill 1046
- Combined Separate Filing Status - House Bill 1048
- Returns by Dependents - House Bill 1051
- Child Care Expenses - House Bill 1047
- Taxing of Tax Preference Income - House Bill 1049
- Withholding of Taxes on Military Pay - House Bill 1050

Sales Tax Legislation

- Sales Tax Applicability to Food - House Bill 1052

Property Tax Legislation

- Local Credits Clarified - House Bill 1053

Death Tax Legislation

- Inheritance Tax - House Bill 1054

Combined Income and Sales Tax Legislation

- State Taxation of Military Income and Store Sales - House Joint Resolution 50

HOUSE OF DELEGATES

No. 1046

By: Chairman, State Tax Reform Study Committee
 Introduced and read first time: February 4, 1977
 Assigned to: Ways and Means

A BILL ENTITLED

AN ACT concerning	34
Income Tax - Amount of Standard Deduction	37
FOR the purpose of changing the amount of the standard deduction allowed to be deducted by certain resident and nonresident individuals from Maryland income under the State income tax laws; providing for the effective date of the change; and clarifying language and structure.	41
	42
	43
BY repealing and reenacting, with amendments,	45
Article 81 - Revenue and Taxes	48
Section 282	49
Annotated Code of Maryland	50
(1975 Replacement Volume and 1976 Supplement)	51
SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That Section 282 of Article 81 - Revenue and Taxes, of the Annotated Code of Maryland (1975 Replacement Volume and 1976 Supplement) be and it is hereby repealed and reenacted, with amendments, to read as follows:	54
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Article 81 - Revenue and Taxes	63
282.	66
(A) For all calendar years beginning after December 31, 1950, and for all fiscal years ending after [said] THIS date, an individual, excluding[, however,] fiduciaries to the extent included under subsection (e) and defined under subsection (f) of § 279 of this subtitle, shall be allowed a standard deduction, [which shall be allowed] BUT only if the individual elects to claim it. Where the individual elects to claim the optional standard deduction [here provided, such	69
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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
 [Brackets] indicate matter deleted from existing law.
 Numerals at right identify computer lines of text.

deduction] PROVIDED BY THIS SECTION, IT shall be in lieu 75
of all itemized deductions provided for in § 281[. The
standard deduction herein provided for shall], BUT IT 76
MAY not be in lieu of the deductions permitted under
federal law in arriving at adjusted gross income. The 77
standard deduction provided [for] by this section shall 78
be in an amount equal to [ten] 10 percent [(10%)] of the
gross income of the taxpayer as computed in accordance 79
with the provisions of this subtitle but in no event 80
shall the standard deduction exceed [five hundred dollars
(\$500.00)] \$500.

(B) FOR ALL CALENDAR YEARS BEGINNING AFTER 83
DECEMBER 31, 1976, THE STANDARD DEDUCTION UNDER THIS 84
SECTION SHALL BE IN AN AMOUNT EQUAL TO 10 PERCENT OF THE
GROSS INCOME OF THE TAXPAYER, BUT NOT LESS THAN \$500 NOR 85
MORE THAN \$1,500. In the case of husband and wife filing 86
a joint return, [said] THE return for the purposes of
this section[,] shall be considered the return of [two 87
taxpayers;] ONE TAXPAYER; [however,] BUT the standard 88
deduction provided for in this section [shall] IS not
[be] allowed to either SPOUSE if the net income of one of 89
the spouses is determined without regard to [such] THE 90
standard deduction or without regard to § 289 [hereof,
anything to the contrary in said § 289 notwithstanding.], 91
DESPITE THE PROVISIONS OF SECTION 289 TO THE CONTRARY.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act 95
shall take effect July 1, 1977. 96

HOUSE OF DELEGATES

No. 1048

By: Chairman, State Tax Reform Study Committee
Introduced and read first time: February 4, 1977
Assigned to: Ways and Means

A BILL ENTITLED

AN ACT concerning	34
Income Tax - Combined Separate Filing Status	37
FOR the purpose of changing the manner of filing of	41
income tax returns by spouses and making the State	42
filing status determined by the federal filing	
status; and making the provisions of this Act	43
applicable to all taxable years after a certain	
date.	
BY repealing and reenacting, with amendments,	45
Article 81 - Revenue and Taxes	48
Section 280(d)	49
Annotated Code of Maryland	50
(1975 Replacement Volume and 1976 Supplement)	51
SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF	54
MARYLAND, That Section 280(d) of Article 81 - Revenue and	57
Taxes, of the Annotated Code of Maryland (1975	59
Replacement Volume and 1976 Supplement) be and it is	60
hereby repealed and reenacted, with amendments, to read	
as follows:	
Article 81 - Revenue and Taxes	63
280.	66
(d) (1) [In] FOR ALL CALENDAR YEARS BEGINNING	69
BEFORE JANUARY 1, 1976, IN the event a husband and wife	70
who have filed a joint federal income tax return elect to	71
file separate State income tax returns, such taxpayers	72
shall complete a schedule reconciling the separate income	73
and deductions of each to the federal adjusted gross	
income and deductions shown on their federal income tax	74
return.	

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.
Numerals at right identify computer lines of text.

(2) FOR ALL CALENDAR YEARS BEGINNING AFTER 76
DECEMBER 31, 1975, A HUSBAND AND WIFE WHO ELECT TO FILE A 77
JOINT FEDERAL INCOME TAX RETURN SHALL ALSO FILE A JOINT 78
STATE RETURN, AND WHO ELECT TO FILE SEPARATE FEDERAL 79
RETURNS SHALL ALSO FILE SEPARATE STATE RETURNS.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act 83
shall take effect July 1, 1977. 84

HOUSE OF DELEGATES

No. 1051

By: The Chairman, State Tax Reform Study Committee
Introduced and read first time: February 4, 1977
Assigned to: Ways and Means

A BILL ENTITLED

AN ACT concerning	34
Income Tax - Returns by Dependents	37
FOR the purpose of providing the income levels at which dependent taxpayers must file tax returns.	41
BY repealing and reenacting, with amendments,	43
Article 81 - Revenue and Taxes	46
Section 294(a)	47
Annotated Code of Maryland	48
(1975 Replacement Volume and 1976 Supplement)	49
SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That Section 294(a) of Article 81 - Revenue and Taxes, of the Annotated Code of Maryland (1975 Replacement Volume and 1976 Supplement) be and it is hereby repealed and reenacted, with amendments, to read as follows:	52 55 57 58
Article 81 - Revenue and Taxes	61
294.	64
(a) (1) Every individual resident of this State, and every individual not a resident of this State receiving income derived from sources within this State, other than fiduciaries, who is required to file a federal income tax return under the provisions of Section 6012(a) of the Internal Revenue Code, as amended from time to time, or whose federal income together with any modification additions contained in Section 280(b) of this subtitle exceed the limits provided by said Section 6012(a), shall file with the Comptroller a return in such form as the Comptroller shall prescribe, and shall attach to said return a copy of the statement received from his employer showing his compensation, salary or wages and	67 68 69 70 71 72 73 74 75

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.
Numerals at right identify computer lines of text.

the Maryland income tax withheld therefrom. 76

(2) NOTWITHSTANDING ANY OTHER PROVISION OF 78
THIS SECTION TO THE CONTRARY THE INCOME LEVEL AT WHICH A 79
DEPENDENT TAXPAYER MUST FILE A TAX RETURN IS DETERMINED 80
UNDER THE PROVISIONS OF SECTION 6012(A)(1)(A)(I) OF THE 81
INTERNAL REVENUE CODE, AS AMENDED FROM TIME TO TIME, 82
TOGETHER WITH ANY MODIFICATION ADDITIONS CONTAINED IN
SECTION 280(B) OF THIS SUBTITLE.

(3) Notwithstanding any other provisions of 84
this subtitle to the contrary, any individual not 85
required to file an income tax return to this State in 86
accordance with the provisions of this subsection, shall
not be liable for any income tax otherwise due under this 87
subtitle. Such individual, by filing a return in such 88
form as prescribed by the Comptroller, shall be entitled
to a refund of all income taxes either withheld or paid 89
as an estimated tax under the provisions of Section 312 90
of this subtitle.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act 92
shall take effect for all calendar or fiscal years 93
beginning or ending after December 31, 1976.

SECTION 3. AND BE IT FURTHER ENACTED, That this Act 97
shall take effect July 1, 1977. 98

HOUSE OF DELEGATES

No. 1047

By: The Chairman, State Tax Reform Study Committee
 Introduced and read first time: February 4, 1977
 Assigned to: Ways and Means

A BILL ENTITLED

AN ACT concerning	34
Income Tax - Child Care Expenses	37
FOR the purpose of providing a subtraction modification	41
to the federal adjusted gross income of Maryland	42
taxpayers for certain expenses for the care of	
dependent children for purposes of the Maryland	43
State income tax.	
BY repealing and reenacting, with amendments,	45
Article 81 - Revenue and Taxes	48
Section 280(c)	49
Annotated Code of Maryland	50
(1975 Replacement Volume and 1976 Supplement)	51
SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF	54
MARYLAND, That Section 280(c) of Article 81 - Revenue and	57
Taxes, of the Annotated Code of Maryland (1975	59
Replacement Volume and 1976 Supplement) be and it is	60
hereby repealed and reenacted, with amendments, to read	
as follows:	
Article 81 - Revenue and Taxes	63
280.	66
(c) There shall be subtracted from federal	70
adjusted gross income: (1) interest or dividends on	71
obligations of the United States and its territories and	
possessions or of any authority, commission or	72
instrumentality of the United States and any other income	73
to the extent includable in gross income for federal	74
income tax purposes, but exempt from State income taxes	
under the laws of the United States; (2) payments	75
received by policemen and firemen from pension systems	76
for injuries or disabilities arising out of and in the	77

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
 [Brackets] indicate matter deleted from existing law.
 Numerals at right identify computer lines of text.

course of their employment as policemen or firemen; (3) 77
 for all taxable years ending after December 31, 1972, 78
 amounts received by an individual who has attained the 79
 age of 65 years before the close of the taxable year as 80
 an annuity, pension, or endowment under a private, 81
 municipal, State or federal employee retirement system, 82
 and included in such individual's federal adjusted gross 83
 income, this subtraction shall not exceed an amount equal 84
 to the average annual benefit received in Maryland by 85
 persons who retired at the age of 65 or older under the 86
 Social Security and Railroad Retirement Acts for the 87
 prior calendar year. The Comptroller shall determine the 88
 amount of the average benefit annually and for the 89
 purposes of this subparagraph may allow the subtraction 90
 to the nearest \$100. The allowed subtraction shall be 91
 reduced by the amount of old age, survivors, or 92
 disability benefits received under the Social Security 93
 Act, the Railroad Retirement Act, or both, as the case 94
 may be; (4) in the case of persons retired prior to 95
 January 1, 1967, payments received which represent 96
 uncovered contributions to a retirement system over and 97
 above any amount of such contributions remaining to be 98
 recovered tax free on the federal return, limited to an 99
 amount which together with the amount of any tax-free 100
 exclusion in the federal return does not exceed the 101
 exclusion which was permitted under the laws and 102
 regulations of this State prior to the year 1967; (5) to 103
 the extent included, the amount of any refunds of income 104
 taxes paid to the State of Maryland, any other state, the 105
 District of Columbia, and any political subdivision of 106
 the State of Maryland and of any other state; (6) to the 107
 extent included, distributions to beneficiaries of 108
 accumulated income on which income tax has been paid by a 109
 fiduciary to this State; (7) FOR ALL CALENDAR YEARS 110
 BEGINNING AFTER DECEMBER 31, 1976, AN AMOUNT OF 111
 HOUSEHOLD OR CHILD CARE EXPENSES BASED ON EXPENSES PAID 112
 IN THE CALENDAR YEAR FOR WHICH DETERMINED AND CALCULATED 113
 PURSUANT TO THE PROVISIONS OF SECTION 214 OF THE INTERNAL 114
 REVENUE CODE PRIOR TO THE REPEAL OF THIS SECTION FOR ALL 115
 CALENDAR YEARS BEGINNING WITH 1976; and [(7)] (8) for all 116
 taxable years ending after December 31, 1972, amounts 117
 received by an individual who is totally disabled, as an 118
 annuity, pension or endowment under a private, municipal, 119
 State or federal retirement system, and included in such 120
 individual's federal adjusted gross income, this 121
 subtraction shall not exceed an amount equal to the 122
 average annual benefit received in Maryland by persons 123
 who retired at the age of 65 or older under the Social 124
 Security and Railroad Retirement Acts for the prior 125
 calendar year. The Comptroller shall determine the 126
 amount of the average benefit annually and for the 127
 purposes of this subparagraph may allow the subtraction 128
 to the nearest \$100. The allowed subtraction shall be 129
 reduced by the amount of disability benefits received 130
 under the Social Security Act, the Railroad Retirement 131

Act, or both, as the case may be.

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SECTION 2. AND BE IT FURTHER ENACTED, That, for the
calendar year 1977 only, and in addition to the amount
allowed in Section 1 of this Act, there shall be allowed
a deduction based on the amount of expenses paid in
calendar year 1976 and calculated pursuant to the
provisions of Section 214 of the Internal Revenue Code
prior to the repeal of this section for all calendar
years beginning with 1976.

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SECTION 3. AND BE IT FURTHER ENACTED, That this Act
shall take effect July 1, 1977.

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EMERGENCY BILL
HOUSE OF DELEGATES

No. 1049

By: Chairman, State Tax Reform Study Committee
Introduced and read first time: February 4, 1977
Assigned to: Ways and Means

A BILL ENTITLED

AN ACT concerning	34
Income Tax - Taxing of Tax Preference Income	37
FOR the purpose of changing the State taxation of certain	41
items of tax preference income to make State	42
taxation conform to the federal taxation of this	
kind of income; making the provisions of this Act	43
applicable to all taxable years after a certain	44
date; and making this Act an emergency measure.	
BY repealing and reenacting, with amendments,	46
Article 81 - Revenue and Taxes	49
Section 280B	50
Annotated Code of Maryland	51
(1975 Replacement Volume and 1976 Supplement)	52
SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF	55
MARYLAND, That Section 280B of Article 81 - Revenue and	58
Taxes, of the Annotated Code of Maryland (1975	60
Replacement Volume and 1976 Supplement) be and it is	61
hereby repealed and reenacted, with amendments, to read	
as follows:	
Article 81 - Revenue and Taxes	64
280B.	67
(a) For purposes of this subtitle, items of tax	70
preference are determined and defined in §§ 57 and 58 of	71
the Internal Revenue Code, as amended from time to time,	72
excluding the oil percentage depletion allowance as	73
claimed and allowed under § 613 of the Internal Revenue	
Code, as amended from time to time, the sum total of	74
which is in excess of \$30,000 as specified and	75
apportioned under the provisions of §§ 57 and 58,	
respectively,] THE AMOUNT SPECIFIED IN SECTION 56 (E)(1)	76

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.
Numerals at right identify computer lines of text.

of the Internal Revenue Code, as amended from time to time, AS MODIFIED AND APPORTIONED UNDER THE PROVISIONS OF SECTION 58 OF THE INTERNAL REVENUE CODE, AS AMENDED FROM TIME TO TIME.	77 78 79
(b) A "tax option" corporation which has elected to file its federal income tax return under the provisions of § 1371 of Subchapter "S" of the Internal Revenue Code and for purposes of subsection (a) of this section, shall account for its tax preference items as belonging to the corporation. These items of tax preference may not be treated as belonging to the individual shareholders of the corporation.	82 83 84 85 86 87
(c) The determination of the tax preference items of a nonresident individual under subsection (a) of this section for purposes of this subtitle are governed by the following provisions:	90 91 92
(1) The items of tax preference of a nonresident individual of this State include only those items which are properly allocated to this State in accordance with the provisions of § 287 of this subtitle.	95 96 97
(2) Nonresident individuals having tax preference items allocable both within and without this State, are allowed only that proportion of the [\$30,000] exclusion, as provided in this section, as the items of tax preference allocable to this State bear to their total items of tax preference.	100 101 102 103 104
SECTION 2. AND BE IT FURTHER ENACTED, That the provisions of this Act are applicable to all calendar years beginning after December 31, 1975.	107 108
SECTION 3. AND BE IT FURTHER ENACTED, That this Act is hereby declared to be an emergency measure and necessary for the immediate preservation of the public health and safety and having been passed by a yea and nay vote supported by three-fifths of all the members elected to each of the two Houses of the General Assembly, the same shall take effect from the date of its passage.	112 113 114 115 116

HOUSE OF DELEGATES

No. 1050

By: The Chairman, State Tax Reform Study Committee
 Introduced and read first time: February 4, 1977
 Assigned to: Ways and Means

A BILL ENTITLED

AN ACT concerning	34
Income Tax - Withholding of Taxes on Military Pay	37
FOR the purpose of removing a prohibition in the State income tax law against withholding income tax on active duty military pay of Maryland residents in the armed forces or military reserves; and clarifying language.	41 42 43
BY repealing and reenacting, with amendments,	45
Article 81 - Revenue and Taxes	48
Section 312(b)	50
Annotated Code of Maryland	52
(1975 Replacement Volume and 1976 Supplement)	53
Preamble	57
The Federal Tax Reform Act of 1976 contains a provision which allows the states to withhold State and local income taxes from the active duty pay of members of the armed forces and military reserves who claim Maryland as their home of record. In order to take advantage of the federal law it is necessary to repeal the prohibition in the State income tax law which prevents this withholding; now, therefore,	60 61 62 63 64 65
SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That Section 312(b) of Article 81 - Revenue and Taxes, of the Annotated Code of Maryland (1975 Replacement Volume and 1976 Supplement) be and it is hereby repealed and reenacted, with amendments, to read as follows:	68 71 73 74
Article 81 - Revenue and Taxes	77

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
 [Brackets] indicate matter deleted from existing law.
 Numerals at right identify computer lines of text.

312.	80
(b) The provisions of this section [shall] DO not apply to any payments of salary, wages or compensation for personal services of any kind for the employer for the following:	84
[(1) For active service as a member of the armed forces of the United States.]	85
[(2)](1) For agricultural labor (as defined in the Federal Internal Revenue Code from time to time).	88
[(3)](2) For domestic service in a private home, local college club or local chapter of a college fraternity or sorority.	89
[(4)](3) For services performed by a duly ordained, commissioned, or a licensed minister of a church in the exercise of his ministry, or by a member of a religious order in the exercise of duties required by such order.	96
[(5) For active service as a member of the National Guard or other duly established federal military reserve organizations.]	97
(4) [Nonresident] FOR NONRESIDENT individuals employed as seamen or seamen upon vessels engaged in oceanic and foreign trade or commerce while such vessels are within any of the ports of this State.	100
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SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 1977.	117
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HOUSE OF DELEGATES

No. 1052

By: The Chairman, State Tax Reform Study Committee
 Introduced and read first time: February 4, 1977
 Assigned to: Ways and Means

A BILL ENTITLED

AN ACT concerning	34
Sales Tax - Applicability to Food	37
FOR the purpose of imposing the sales tax on the sales of	41
food for consumption off the premises where sold;	
removing an exemption on the sale of prepared food;	42
clarifying the exemption of food sold by groceries	43
and other places with no facilities for consumption	
of the food on the premises where sold; and	44
clarifying language.	
BY repealing and reenacting, with amendments,	46
Article 81 - Revenue and Taxes	49
Section 324 (f) (1), 325, and 326(c)	51
Annotated Code of Maryland	53
(1975 Replacement Volume and 1976 Supplement)	54
SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF	58
MARYLAND, That Sections 324 (f) (1), 325, and 326 (c) of	60
Article 81 - Revenue and Taxes, of the Annotated Code of	62
Maryland (1975 Replacement Volume and 1976 Supplement) be	64
and they are hereby repealed and reenacted, with	
amendments, to read as follows:	
Article 81 - Revenue and Taxes	67
324.	70
As used in this subtitle, the following terms shall	73
mean or include:	
(f) "Retail sale" and "sale at retail" shall mean	76
the sale in any quantity or quantities of any tangible	77
personal property or service taxable under the terms of	78
this subtitle. [Said] THE term [shall mean] ALSO MEANS	
all sales of tangible personal property to any person for	79

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
 [Brackets] indicate matter deleted from existing law.
 Numerals at right identify computer lines of text.

any purpose other than those in which the purpose of the purchaser is (i) to resell the property so transferred in the form in which the same is, or is to be received by him, (ii) to destroy the property so transferred in the manufacturing, assembling, processing or refining of other tangible personal property to be produced for sale or in the generation of electricity, or (iii) to use or incorporate the property so transferred as a material or part, or other tangible personal property to be produced for sale by manufacturing, assembling, processing or refining. Tangible personal property shall be considered to be destroyed in manufacturing, processing, assembling, refining or in the generation of electricity if it is changed in nature by reason of its use in a relatively short period of time, as the nature of coal is changed by burning, as refractories which come in direct contact with molten metals are changed by heat and abrasion, as grinding wheels are reduced to dust, as acids are changed by contamination, and so forth. Property which is broken or mutilated [shall] IS not [be] considered to be destroyed. Tangible personal property [shall] IS not [be] considered to be destroyed in such operations if its value as property is ordinarily dissipated through the gradual wear or tear incident to its use. Machinery and small tools [shall] IS not [be] considered to be destroyed in such operations. The terms "manufacturing," "assembling," "processing," and "refining" [shall] DO not include (A) maintaining, servicing, or repairing; (B) testing finished products; or (C) providing for the comfort or health of employees. For the purpose of the tax imposed by this subtitle, the term "sale at retail" [shall include] INCLUDES but [shall] IS not [be] limited to the following:

(1) The sale of [alcoholic beverages regardless of the place of consumption; and the sale of any meals, food or drink for human consumption on the premises where sold. For the purposes of this section the word "premises" shall include, among other places, parking lots connected with the place where the food is sold] ALL MEALS, FOOD, AND BEVERAGES, INCLUDING ALCOHOLIC BEVERAGES, EXCEPT AS EXEMPTED UNDER THIS SUBTITLE.

325. For the privilege of selling certain tangible personal property at retail as defined above and for the privilege of dispensing certain selected services defined as sales at retail by § 324(f) of this subtitle a vendor shall collect from the purchaser a tax at the rate specified in this section on the price of each separate retail sale made in this State on or after the date of this section. The tax imposed by this section shall be paid by the purchaser and shall be computed subject to the terms and conditions of § 334 of this subtitle, as

follows:	122
(a) On each sale where the price is [twenty-five cents (25 cents)] 25 CENTS, the tax is [one cent (1 cent)] 1 CENT;	125 126
(b) On each sale where the price is from [twenty-six cents (26 cents) to fifty cents (50 cents)] 26 CENTS TO 50 CENTS, both inclusive, [two cents (2 cents)] 2 CENTS;	129 130
(c) On each sale where the price is from [fifty-one cents (51 cents) to seventy-five cents (75 cents)] 51 CENTS TO 75 CENTS, both inclusive, [three cents (3 cents)] 3 CENTS;	133 134
(d) On each sale where the price is from [seventy-six cents (76 cents) to one dollar (\$1)] 76 CENTS TO \$1, both inclusive, [four cents (4 cents)] 4 CENTS;	137 138
(e) On each sale where the price is in excess of [one dollar (\$1), four] \$1, 4 cents on each even dollar plus [one cent (1 cent) for each twenty-five cents (25 cents)] 1 CENT FOR EACH 25 CENTS or fraction thereof in excess of the even dollars.	141 142 143
(f) [The rates set forth in paragraphs (a), (b), (c) and (d) above do not apply to sales for human consumption of any meals, food or drink (other than alcoholic beverages) as defined in § 324(f) (1) of this subtitle; when such sales where the price is one dollar (\$1), the tax is four cents (4 cents); and on such sales where the price is in excess of one dollar (\$1), the rate of tax specified in paragraph (e) above shall apply.]	146 147 148 149 150 151
The tax [shall be] IS due and payable at the rates set forth herein on all sales of taxable property or services delivered to the purchaser on or after June 1, 1961.	154 155 156
Notwithstanding anything to the contrary [hereinafter] in this section, the rate of tax shall be as follows on the purchase of farm vehicles and all farm equipment to be used to prepare the soil, plant seeds, service growing crops and harvest crops, including (1) portable elevators and conveyors used to load harvested crops into storage facilities on the farm, and (2) also including but not limited to power spraying equipment, irrigation equipment and portable grain and hay dryers, and (3) also but not limited to milking machines:	159 160 161 162 163 164 165 166
(1) On each sale where the price is from [fifty-one cents (51 cents) to one dollar (\$1.00), two cents (2 cents)] 51 CENTS TO \$1, 2 CENTS;	169 170

(2) On each [fifty cents (50 cents)] 50 173
CENTS of price or fraction thereof in excess of [one 174
dollar (\$1.00), one cent (1 cent)] \$1, 1 CENT.

(g) Notwithstanding anything to the contrary 177
contained in this section the rate of tax on 178
manufacturing machinery and equipment as defined in §
324(s) when sold to manufacturers [shall be] IS as 179
follows:

(1) On each sale where the price is from 182
[fifty-one cents (51 cents)] to one dollar (\$1.00), two 183
cents (2 cents)] 51 CENTS TO \$1, 2 CENTS;

(2) On each [fifty cents (50 cents)] 50 186
CENTS of price or fraction thereof where the sale is in 187
excess of [one dollar (\$1.00), one cent (1 cent)] \$1, 1
CENT. The rate provided in this subsection shall apply 188
to all deliveries completed on and after July 1, 1968. 189

326. 191

The tax hereby levied shall not apply to the 193
following sales:

(c) Sales of food for human consumption by 196
churches, religious organizations, schools and colleges, 197
[and] the sales of food for human consumption at 198
hospitals, AND THE SALES OF FOOD FOR HUMAN CONSUMPTION BY
A BONA FIDE GROCERY STORE, MARKET, OR ESTABLISHMENT WHICH 199
PROVIDES NO FACILITIES FOR EATING SUCH FOOD ON THE
PREMISES. THE TERM "PREMISES" INCLUDES ANY BUILDING, 200
GROUNDS, PARKING LOT, OR OTHER AREA OWNED OR CONTROLLED 201
IN WHOLE OR IN PART BY THE VENDOR. THE TERM "FACILITIES"
DOES NOT INCLUDE PARKING LOTS UNLESS PROVISION IS MADE, 202
BEYOND MERELY PARKING PLACES FOR VEHICLES, FOR CONSUMPTION 203
THEREON OF THE FOOD SOLD. A VENDOR WHO OPERATES BOTH A 204
BONA FIDE GROCERY STORE OR MARKET AND AN ESTABLISHMENT
WHICH SELLS MEALS, FOOD, OR BEVERAGES FOR CONSUMPTION ON 205
THE PREMISES, AT THE SAME PLACE OF BUSINESS, MAY APPLY TO 206
THE COMPTROLLER FOR PERMISSION TO TREAT THE TWO
OPERATIONS SEPARATELY FOR PURPOSES OF COLLECTION OF 207
RETAIL SALES AND USE TAXES. THE COMPTROLLER SHALL GRANT
PERMISSION IF HE IS SATISFIED THAT (1) THERE IS A BONA 208
FIDE AND SUBSTANTIAL GROCERY BUSINESS AND (2) ADEQUATE 209
PROVISION HAS BEEN MADE BY THE VENDOR TO SEGREGATE SALES
OF GROCERIES FROM SALES OF MEALS, FOOD, AND BEVERAGES BY 210
THE EATING ESTABLISHMENT. THIS EXEMPTION DOES NOT APPLY 211
TO A CATERER WHO SERVES MEALS, FOOD, OR BEVERAGES ON HIS
OWN PREMISES, THE PREMISES OF THE PURCHASER, OR ON THE 212
PREMISES OF A THIRD PARTY.

HOUSE BILL No. 1052

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SECTION 2. AND BE IT FURTHER ENACTED, That this Act
shall take effect July 1, 1977.

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HOUSE OF DELEGATES

No. 1053

By: Chairman, State Tax Reform Study Committee
 Introduced and read first time: February 4, 1977
 Assigned to: Ways and Means

A BILL ENTITLED

AN ACT concerning	34
Property Taxes - Local Credits	37
FOR the purpose of changing the order of arrangement of	41
certain tax credits against local property taxes in	42
certain counties; renumbering; clarifying language	
and structure; and making certain other changes	43
relating to local taxation of certain classes or	44
kinds of real and personal property.	
BY repealing	46
Article 81 - Revenue and Taxes	49
Section 9C(b-1), (b-2), (e-1), (j-1), (j-2), (j-3),	51
(j-4), and (u)	
Annotated Code of Maryland	53
(1975 Replacement Volume and 1976 Supplement)	54
BY repealing and reenacting, with amendments,	57
Article 81 - Revenue and Taxes	60
Section 9C(b), (f), and (k)	62
Annotated Code of Maryland	64
(1975 Replacement Volume and 1976 Supplement)	65
BY adding to	68
Article 81 - Revenue and Taxes	71
Section 9C(f-2), (j-1), (o-1), and 19(a)(10)	73
Annotated Code of Maryland	75
(1975 Replacement Volume and 1976 Supplement)	76
SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF	81
MARYLAND, That Sections 9C(b-1), (b-2), (e-1), (j-1),	82

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
 [Brackets] indicate matter deleted from existing law.
 Numerals at right identify computer lines of text.

(j-2), (j-3), (j-4), and (u) of Article 81 - Revenue and Taxes, of the Annotated Code of Maryland (1975 Replacement Volume and 1976 Supplement) be and they are hereby repealed; and that Sections 9C(b), (f), and (k) of said Article, Title, and Code be and they are hereby repealed and reenacted, with amendments; and that new Sections 9C(f-2), (j-1), (0-1), and 19(a)(10) be and they are hereby added to said Article, Title, and Code to read as follows:

Article 81 - Revenue and Taxes 99

9C. 102

(b) In Allegany County, (1) from county taxation only, real and tangible personal property, owned directly or indirectly by any bona fide labor union or unions, or by any corporation whose capital stock is exclusively owned by any bona fide labor union or unions, when such property is used solely for the mutual benefit of its members and not for profit, except that any part of such property which is commercially rented shall be taxable to the extent of the commercial use on the fair value of the rented property; (2) tangible personal property owned by nonprofit television broadcast translator stations, which are supported principally by public subscription; (3) from county taxation only, real property owned by a religious organization, which property is located in La Vale and is leased to the La Vale Athletic Association for the purpose of conducting athletic and recreational programs for youth, but only when this property is used solely and exclusively for the above purpose; [and] (4) FROM COUNTY AND CITY TAXATION, REAL AND TANGIBLE PERSONAL PROPERTY OWNED BY THE SOUTH CUMBERLAND BUSINESS AND CIVIC ASSOCIATION, INC., AND KNOWN AS THE SOUTH CUMBERLAND CIVIC CENTER; (5) FROM COUNTY AND SPECIAL DISTRICT TAXATION ONLY, REAL AND TANGIBLE PERSONAL PROPERTY OWNED BY THE CPESAPTOWN CIVIC IMPROVEMENT ASSOCIATION, INC.; AND (6) from county taxation only, real property on which improvements have been made to historic and architecturally significant structures as certified by the Allegany County Commissioners[. So as], IN ORDER to encourage improvement and reconstruction of those properties, all to be done according to the following schedule:

(i) The property shall [be exempt from] RECEIVE A CREDIT AGAINST real estate taxation to the extent of 100[%] PERCENT of the increase in assessed valuation of the property attributable to the reconstruction and improvement. This [exemption] CREDIT shall occur in the first and second taxable years in which the improved structure is subject to taxation.

(ii) For the third taxable year in which the 139

improved structure is subject to taxation, the 140
[exemption] CREDIT shall be to the extent of 80[%] 141
PERCENT of the increase in assessed valuation of the 142
property attributable to that reconstruction. 143

(iii) For the fourth taxable year in which the 146
improved structure is subject to taxation, the 147
[exemption] CREDIT shall be to the extent of 60[%] 148
PERCENT of the increase in assessed valuation of the 149
property attributable to that reconstruction. 150

(iv) For the fifth taxable year in which the 153
improved structure is subject to taxation, the 154
[exemption] CREDIT shall be to the extent of 40[%] 155
PERCENT of the increase in assessed valuation of the 156
property attributable to that reconstruction. 157

(v) Thereafter, no [exemption] CREDIT for 160
the purposes of this [subsection] PARAGRAPH shall be 161
allowed.

[(b-1) In Allegany County, from county and city 164
ordinary taxation, the real and tangible personal 165
property owned by the South Cumberland Business and Civic 166
Association, Inc. and known as the South Cumberland
Civic Center.]

[(b-2) In Allegany County, from county and 169
special district ordinary taxation, the real and tangible 170
personal property owned by the Cresaptown Civic 171
Improvement Association, Inc.]

[(a-1) In Calvert County, real property owned 176
by the Calvert County Sportsmen's Club, Inc.] 177

(f) In Calvert County [and Carroll County], (1) 180
from county taxation only, real property owned by a 181
nonprofit community or civic improvement association or 182
corporation, which is devoted to and used exclusively for
community, civic, educational, or library purposes, and 183
where [such] THIS use is not contingent upon the payment 184
of any fee or other compensation, and failure to pay any 185
[such] fee or other compensation is not a reason to deny
admission to or use of this property. Assessments 186
exactd and employed by the association or corporation 187
solely for the improvement or maintenance of the property 188
are not "fees or other compensation" under the terms of
this paragraph; AND (2) FROM COUNTY TAXATION ONLY, REAL 189
PROPERTY OWNED BY THE CALVERT COUNTY SPORTSMEN'S CLUB, 190
INC.

(F-2) IN CARROLL COUNTY, FROM COUNTY TAXATION ONLY, 193
REAL PROPERTY OWNED BY A NONPROFIT COMMUNITY OR CIVIC 194
IMPROVEMENT ASSOCIATION OR CORPORATION, WHICH IS DEVOTED 195

TO AND USED EXCLUSIVELY FOR COMMUNITY, CIVIC, 195
 EDUCATIONAL, OR LIBRARY PURPOSES, AND WHERE THIS USE IS 196
 NOT CONTINGENT UPON THE PAYMENT OF ANY FEE OR OTHER 197
 COMPENSATION, AND FAILURE TO PAY ANY FEE OR OTHER 198
 COMPENSATION IS NOT A REASON TO DENY ADMISSION TO OR USE 199
 OF THIS PROPERTY. ASSESSMENTS EXACTED AND EMPLOYED BY 200
 THE ASSOCIATION OR CORPORATION SOLELY FOR THE IMPROVEMENT 201
 OR MAINTENANCE OF THE PROPERTY ARE NOT "FEES OR OTHER
 COMPENSATION" UNDER THE TERMS OF THIS SUBSECTION.

[(j-1) In Harford County, the County Council is 204
 authorized to permit tax credits, for Harford County 205
 taxes only, for silos used for processing or storage of 206
 animal feed incidental to the operation of the farm on
 which the silo is located.] 207

[(j-2) In Harford County, the County Council is 210
 authorized to permit tax credits, for Harford County 211
 taxes only, for real property owned by community 212
 associations and used for public parks, playgrounds, or
 picnic areas as used in this subsection, "community 213
 association" means any incorporated association whose 214
 membership is limited to voluntary subscriptions by 215
 residents of the community or development and which has
 no power either by law, covenant, or any other means to 216
 assess fees against residents or property owners based on 217
 property values.]

[(j-3) In Harford County, the County Council 220
 may permit a tax credit, for Harford County taxes only, 221
 for real property which is owned by the Children's Fresh 222
 Air Society of Maryland, Inc., to the extent the acreage
 on credit exceeds the credit allowed in § 9 (e) of 223
 Article 81 of the Code.]

[(j-4) In Howard County, the County Council may, by 226
 law, provide for tax credits against the amount of county 227
 taxes with respect to real or tangible personal property 228
 owned by community associations and used for community,
 civic, educational, library or park purposes. These 229
 credits may not be granted for any swimming pools, tennis 230
 courts or similar recreational facilities.] 231

(J-1) IN HARFORD COUNTY, (1) FROM COUNTY TAXATION 234
 ONLY, THE COUNTY COUNCIL MAY ALLOW TAX CREDITS FOR REAL 235
 PROPERTY OWNED BY COMMUNITY ASSOCIATIONS AND USED FOR 236
 PUBLIC PARKS, PLAYGROUNDS, OR PICNIC AREAS. AS USED IN
 THIS PARAGRAPH ONLY, "COMMUNITY ASSOCIATION" MEANS ANY 237
 INCORPORATED ASSOCIATION WHOSE MEMBERSHIP IS LIMITED TO 238
 VOLUNTARY SUBSCRIPTIONS BY RESIDENTS OF THE COMMUNITY OR
 DEVELOPMENT AND WHICH HAS NO POWER EITHER BY LAW, 239
 COVENANT, OR ANY OTHER MEANS TO ASSESS FEES AGAINST 240
 RESIDENTS OR PROPERTY OWNERS BASED ON PROPERTY VALUES; 241
 AND (2) FROM COUNTY TAXATION ONLY, THE COUNTY COUNCIL MAY 242
 ALLOW A TAX CREDIT FOR REAL PROPERTY WHICH IS OWNED BY

THE CHILDREN'S FRESH AIR SOCIETY OF MARYLAND, INC., BUT 243
 ONLY FOR ACREAGE IN EXCESS OF THE EXEMPTION ALLOWED TO 244
 THE SOCIETY UNDER SECTION 9 (E) OF THIS ARTICLE.

(k) In Howard County, (1) from local front foot 247
 charges for water, sanitary, storm sewers or other 248
 utilities only, real property owned by community
 associations and used for public parks, playgrounds, or 249
 picnic areas, and not improved by buildings or other 250
 structures (excluding comfort stations, shelter, or 251
 picnic facilities). If [such] ANY comfort stations or
 picnic facilities are connected to the county 252
 metropolitan commission system, only a minimum front foot 253
 levy shall be charged. As used [herein] IN THIS
 PARAGRAPH ONLY, "community associations" means 255
 incorporated associations whose membership is limited to 256
 voluntary subscriptions by residents of the communities
 or development and which have no power either by law, 257
 covenant, or any other means to assess fees against 258
 residents or property owners based on property values[.];
 AND (2) FROM COUNTY TAXATION ONLY, THE COUNTY COUNCIL MAY 259
 ALLOW TAX CREDITS FOR REAL AND TANGIBLE PERSONAL PROPERTY 260
 OWNED BY COMMUNITY ASSOCIATIONS AND USED FOR COMMUNITY, 261
 CIVIC, EDUCATIONAL, LIBRARY, OR PARK PURPOSES. THESE 262
 CREDITS MAY NOT BE GRANTED FOR ANY SWIMMING POOLS, TENNIS 263
 COURTS, OR SIMILAR RECREATIONAL FACILITIES.

(O-1) IN WASHINGTON COUNTY, FROM COUNTY TAXATION 266
 ONLY, REAL PROPERTY ON WHICH IMPROVEMENTS ARE MADE TO 267
 EXISTING STRUCTURES WITHIN AND CONTROLLED BY ANY HISTORIC 268
 DISTRICT IN THE COUNTY IN ORDER TO ENCOURAGE IMPROVEMENT
 AND RECONSTRUCTION OF PROPERTIES LOCATED WITHIN THOSE 269
 AREAS, ALL TO BE DONE ACCORDING TO THE FOLLOWING 270
 SCHEDULE:

(I) THE PROPERTY SHALL RECEIVE A CREDIT TO 272
 THE EXTENT OF 100 PERCENT OF THE INCREASE IN ASSESSED 273
 VALUATION OF THE PROPERTY ATTRIBUTABLE TO THE
 RECONSTRUCTION AND IMPROVEMENT. THIS EXEMPTION SHALL 274
 OCCUR IN THE FIRST AND SECOND TAXABLE YEARS IN WHICH THE 275
 IMPROVED STRUCTURE IS SUBJECT TO TAXATION.

(II) FOR THE THIRD TAXABLE YEAR, THE CREDIT 277
 SHALL BE TO THE EXTENT OF 80 PERCENT OF THE INCREASE IN 278
 ASSESSED VALUATION OF THE PROPERTY ATTRIBUTABLE TO THAT 279
 RECONSTRUCTION.

(III) FOR THE FOURTH TAXABLE YEAR, THE CREDIT 281
 SHALL BE TO THE EXTENT OF 60 PERCENT OF THE INCREASE IN 282
 ASSESSED VALUATION OF THE PROPERTY ATTRIBUTABLE TO THAT 283
 RECONSTRUCTION.

(IV) FOR THE FIFTH TAXABLE YEAR, THE CREDIT 285
 SHALL BE TO THE EXTENT OF 40 PERCENT OF THE INCREASE IN 286
 ASSESSED VALUATION OF THE PROPERTY ATTRIBUTABLE TO THAT 287

RECONSTRUCTION. 287

(V) THEREAFTER, A CREDIT FOR THE PURPOSES OF 289
THIS SUBSECTION MAY NOT BE ALLOWED.

[(u) In Washington County, from county taxation 292
only, real property on which improvements are made to 293
existing structures within and controlled by any historic 294
district in Washington County so as to encourage
improvement and reconstruction of those properties 295
located within those areas, all to be done according to 296
the following schedule:

(i) The property shall be exempt from real 299
estate taxation to the extent of 100 percent of the 300
increase in assessed valuation of the property
attributable to the reconstruction and improvement. This 301
exemption shall occur in the first and second taxable 302
years in which the improved structure is subject to 303
taxation.

(ii) For the third taxable year in which the 306
improved structure is subject to taxation, the exemption 307
shall be to the extent of 80 percent of the increase in 308
assessed valuation of the property attributable to that
reconstruction. 309

(iii) For the fourth taxable year in which the 312
improved structure is subject to taxation, the exemption 313
shall be to the extent of 60 percent of the increase in 314
assessed valuation of the property attributable to that
reconstruction. 315

(iv) For the fifth taxable year in which the 318
improved structure is subject to taxation, the exemption 319
shall be to the extent of 40 percent of the increase in 320
assessed valuation of the property attributable to that
reconstruction. 321

(v) Thereafter, an exemption for the 324
purposes of this subsection may not be allowed. 325

19. 327

(A)(10) IN HARFORD COUNTY, THE COUNTY COUNCIL 330
MAY ALLOW SILOS USED FOR PROCESSING OR STOPING ANIMAL 331
FEED, INCIDENTAL TO THE OPERATION OF THE FARM ON WHICH 332
LOCATED, TO BE EXCLUDED FROM THE VALUATION OF THE
PROPERTY ON WHICH LOCATED.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act 336
shall take effect July 1, 1977. 337

HOUSE OF DELEGATES

No. 1054

By: Chairman, State Tax Reform Study Committee
 Introduced and read first time: February 4, 1977
 Assigned to: Economic Matters

A BILL ENTITLED

AN ACT concerning	34
Revenue and Taxes - Inheritance Tax	37
FOR the purpose of requiring banks, savings and loan	41
associations and other depositories of funds to	42
notify the Registers of Wills of the respective	
political subdivisions of the death of persons	43
having moneys on deposit or invested in such	44
institutions in joint or common ownership at the	
time of their death.	
BY adding to	46
Article 81 - Revenue and Taxes	49
Section 155A	50
Annotated Code of Maryland	51
(1975 Replacement Volume and 1976 Supplement)	52
SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF	55
MARYLAND, That new Section 155A be and it is hereby added	57
to Article 81 - Revenue and Taxes, of the Annotated Code	59
of Maryland (1975 Replacement Volume and 1976 Supplement)	60
to read as follows:	61
Article 81 - Revenue and Taxes	64
155A.	67
ON FORMS PREPARED AND PROVIDED BY THE REGISTER OF	70
WILLS, EVERY BANK, SAVINGS AND LOAN ASSOCIATION, CREDIT	71
UNION, OR OTHER DEPOSITORY OF FUNDS, SHALL NOTIFY THE	72
REGISTERS OF WILLS OF THE DEATH OF ANY PERSON WHO AT THE	
TIME OF DEATH HAD ON DEPOSIT WITH THE INSTITUTION MONIES	73
IN JOINT TENANCY, TENANCY IN COMMON, OR ANY OTHER TYPE OF	74
OWNERSHIP IN COMMON WITH ANOTHER PERSON. THIS SECTION	75
DOES NOT APPLY TO TENANCIES BY THE ENTIRETIES, TO PERSONS	76
WHO ARE NONRESIDENTS OF THE STATE, OR TO DEPOSITS OF LESS	

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
 [Brackets] indicate matter deleted from existing law.
 Numerals at right identify computer lines of text.

THAN \$1,000. THE NOTICE SHALL STATE THE NAME OF THE 77
INSTITUTION SUBMITTING THE REPORT, THE NAME OF THE 78
DECEDENT, THE AMOUNT OF MONIES ON DEPOSIT, AND THE NAMES 79
AND ADDRESSES OF THE OWNERS OF THE DEPOSIT. THE NOTICE
SHALL BE MADE TO THE REGISTERS OF WILLS WITHIN 90 DAYS 80
AFTER THE INSTITUTION HAS BEEN ADVISED OF OR RECEIVED 81
INFORMATION OF THE DEATH OF AN OWNER OF THE DEPOSIT. 82

SECTION 2. AND BE IT FURTHER ENACTED, That this Act 86
shall take effect July 1, 1977. 87

HOUSE JOINT RESOLUTION No. 50

By: The Chairman, State Tax Reform Study Committee
Introduced and read first time: February 4, 1977
Assigned to: Ways and Means

HOUSE JOINT RESOLUTION

A House Joint Resolution concerning	31
State Taxation of Military Income and Store Sales	34
FOR the purpose of urging the Congress of the United States to remove the legal barriers to state and local taxation of sales made in military post exchanges and commissaries; and to amend current statutes so as to improve military compliance with state and local tax law.	38 39 40
WHEREAS, The Advisory Commission on Intergovernmental Relations completed a study entitled State Taxation of Military Income and Store Sales, July, 1976, and made a number of recommendations; and	42 43 44
WHEREAS, The State of Maryland has a number of military reservations which would be affected by State taxation of military income and store sales; and	46 47
WHEREAS, The State Tax Reform Study Committee has felt that the recommendations made by the Commission would be beneficial to the State; and	49 50
WHEREAS, Passage of these recommendations would increase income tax and sales tax revenues; and	52 53
WHEREAS, There should be an extension of state and local sales and excise taxes to military bases; and	55 56
WHEREAS, There should be a termination of domicile-only jurisdictional rule governing state and local taxation of military income; and	58 59
WHEREAS, There should be a mandatory withholding requirement of state and local income taxes from military income; and	61 62
WHEREAS, There should be a provision for enforcement of delinquent tax obligations of federal employees; and	64 65
WHEREAS, There should be a requirement for	67

EXPLANATION:

Numerals at right identify computer lines of text.

certification of domicile by military personnel; now, 68
therefore, be it

RESOLVED BY THE GENERAL ASSEMBLY OF MARYLAND, That 70
the State of Maryland urge the the Congress of the United 71
States to support the recommendations made by the
Advisory Commission on Intergovernmental Relations which 72
would remove the legal barriers to state and local 73
taxation of sales made in military post exchanges and
commissaries; and to amend current statutes so as to 74
improve military compliance with state and local tax law; 75
and be it further

RESOLVED, That copies of this Resolution be sent to 79
the Maryland Congressional Delegation: Senators Charles 80
McC. Mathias, Jr. and Paul S. Sarbanes, Senate Office 81
Building, Washington, D.C. 20510; and Representatives
Robert E. Bauman, Clarence D. Long, Barbara A. Mikulski, 82
Marjorie S. Holt, Gladys N. Spellman, Goodloe E. Byron, 83
Parren J. Mitchell, and Newton I. Steers, Jr., House
Office Building, Washington, D.C. 20515. 84

